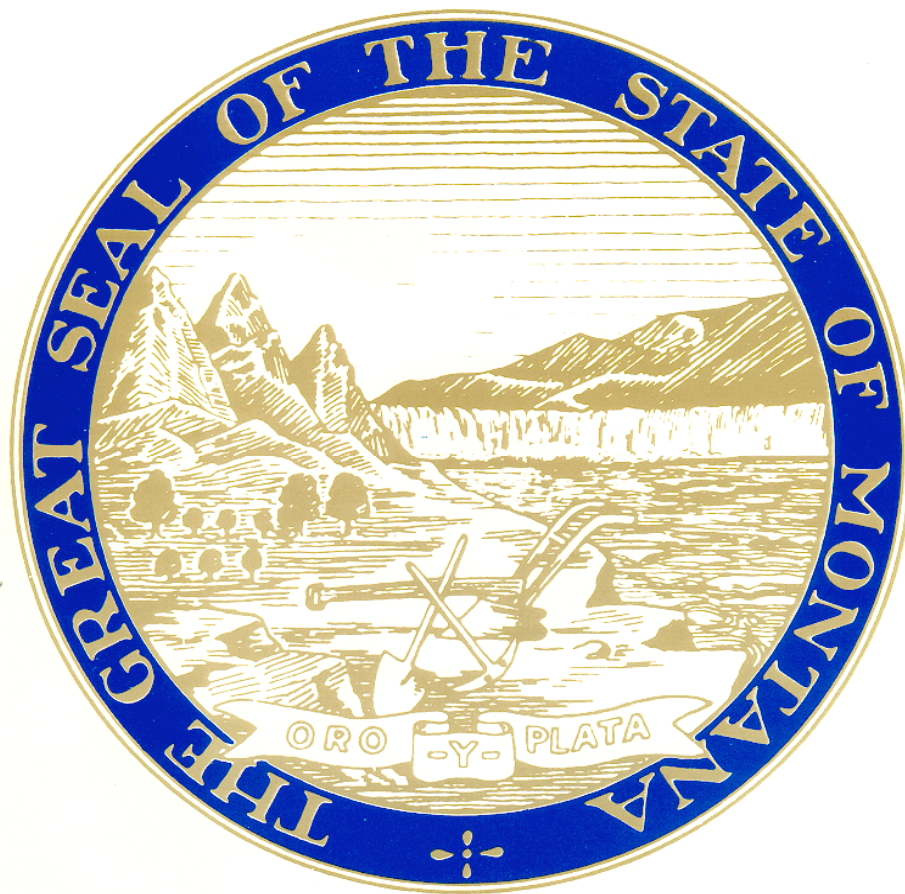


SPECIAL EDUCATION REPORT TO THE FIFTY-EIGHTH MONTANA LEGISLATURE

January 2003



**Linda McCulloch
Superintendent**

Office of Public Instruction

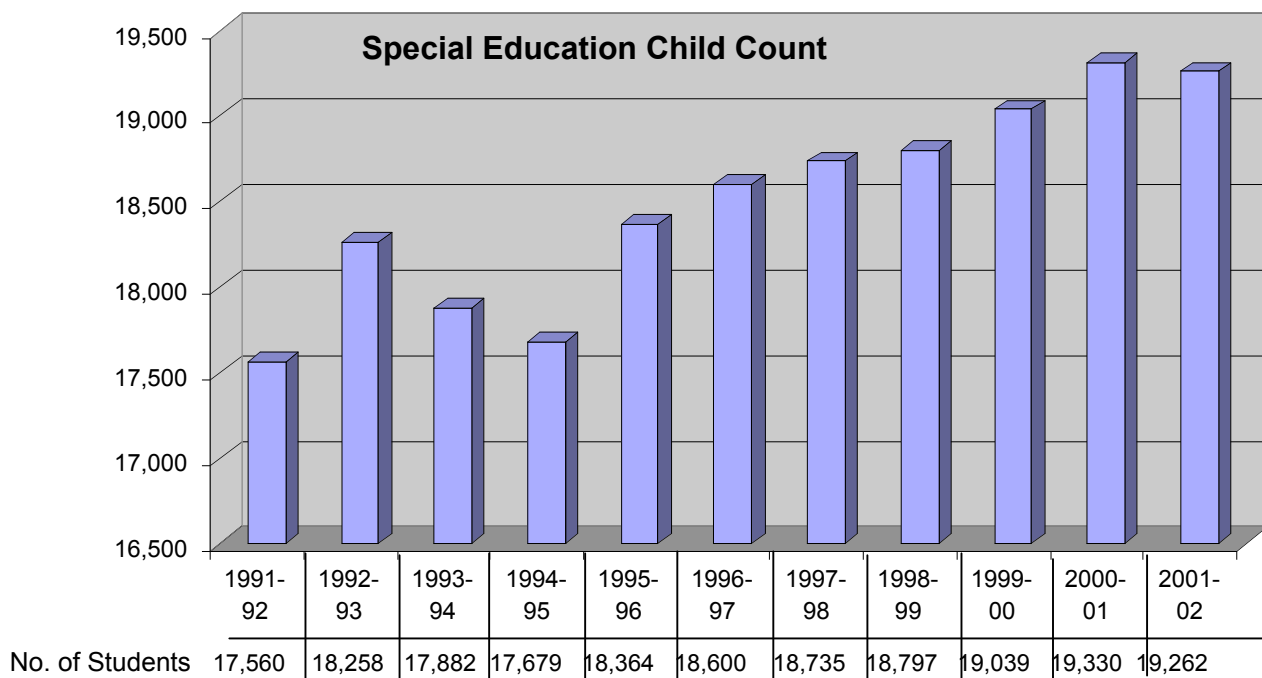
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POPULATION OF STUDENTS SERVED

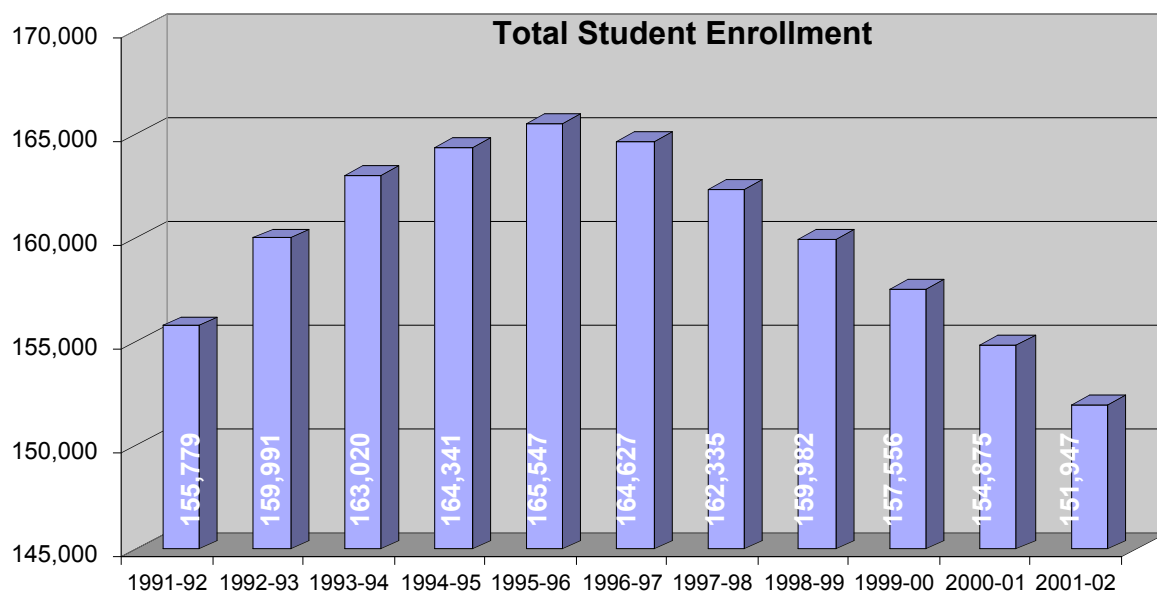
Public schools must make available special education and related services to all IDEA eligible students with disabilities beginning at age three and through age 18. Services to students 19, 20, and 21 are permissive. That is, the decision to serve 19, 20 and 21-year-old students is determined by the policies of the school district board of trustees (20-5-101(3), MCA, and ARM 10.16.3122(2)).



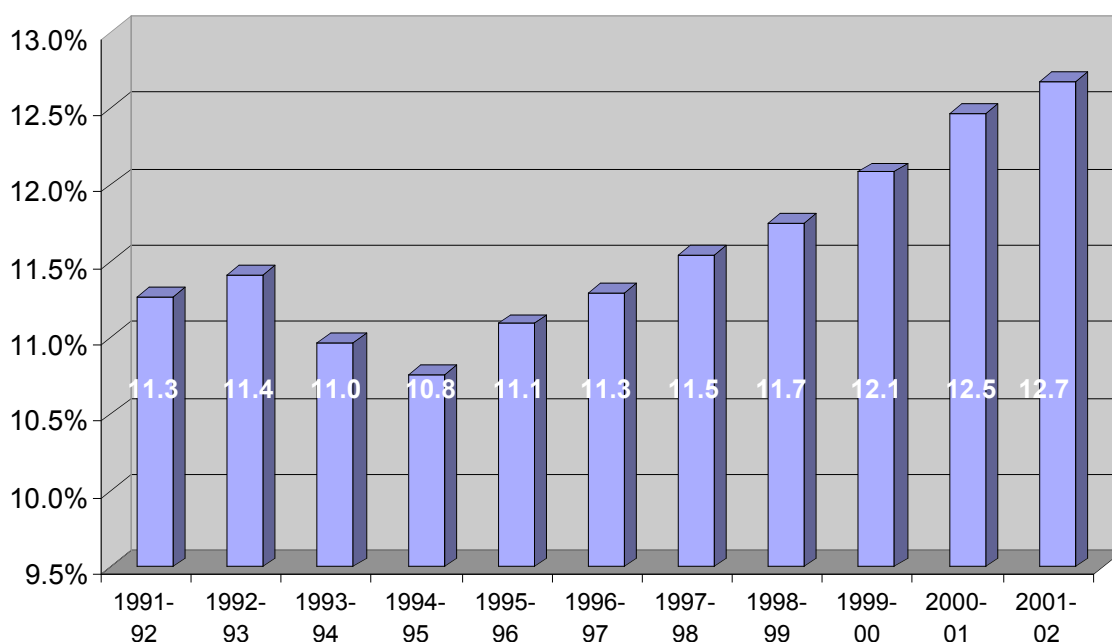
Source: Child Count Data Files (opi_adm_003/vol1/Access/Division/Special Education/Child Count/ChildCount91-01 and Access on OpihIntprd3/Access/Prd/SpecialEducation/SpecialEdViewing.mdb)

Students with disabilities receive a wide range of services, including individualized instruction, assistive technology, and related services such as speech-language therapy, occupational therapy, physical therapy and/or transition services. Both the type and the extent of services a student receives are individually determined based on the educational needs of the student.

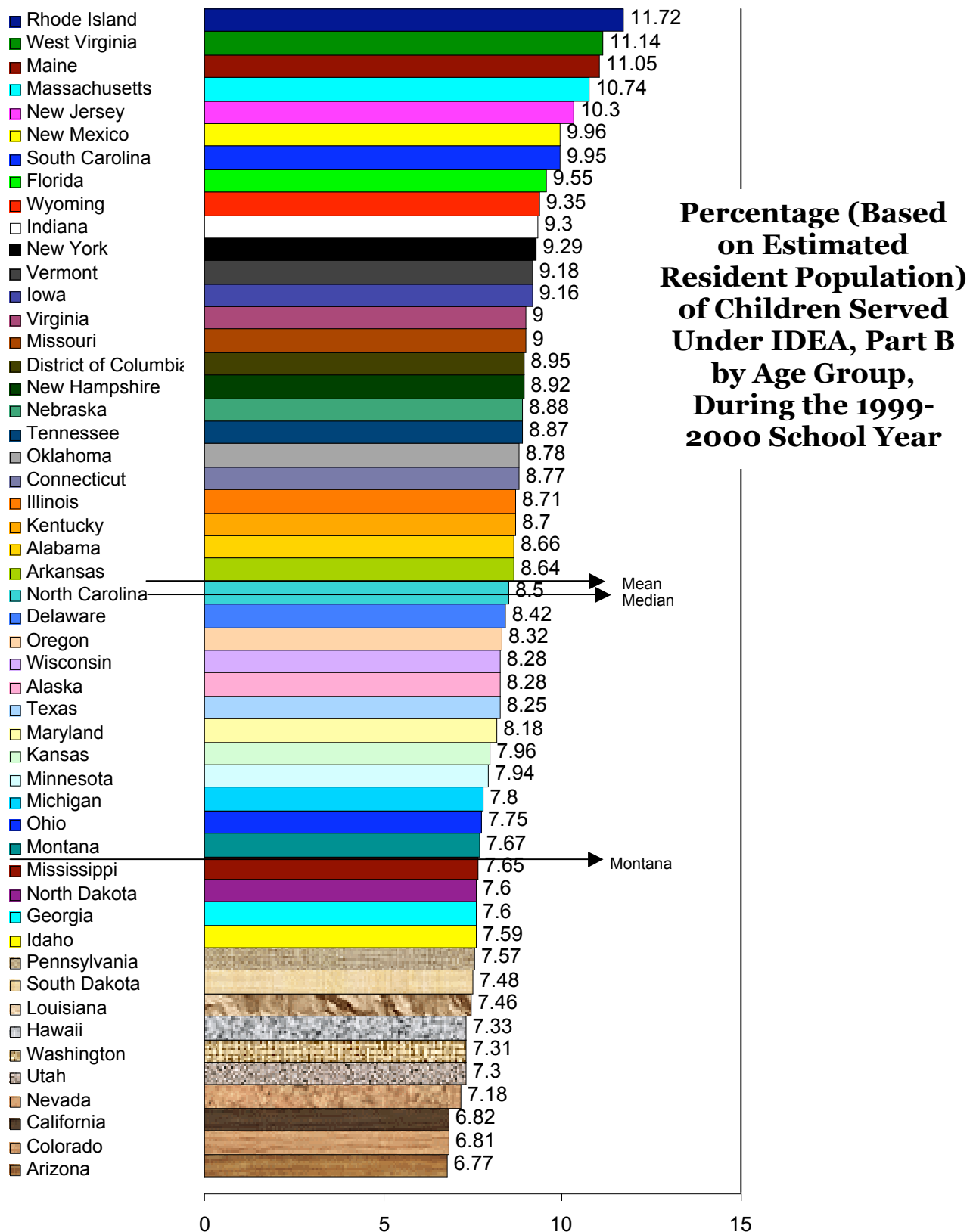
Montana's Child Count (term used for the collection of student special education data) grew slightly, but steadily, between school year 1995-96 and school year 2000-01. There was a small decrease in child count during the 2001-02 school year. On December 1, 2001, there were 19,262 students reported on child count as receiving special education services. These increases in Child Count occurred at the same time that total student enrollment declined. This represents 12.7 percent of all students enrolled in Montana public schools. Because of declining enrollment at the same time special education Child Count has grown, the proportion of students served by special education has increased to 12.7 percent.



Source: Montana Public School Enrollment Data, Fall 2001-2002 (Published yearly by OPI)



However, Montana still ranks below the mean in the percentage of students served under IDEA according to the 21st Annual Report to Congress.



Source: Twenty-third Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act, US Department of Education 2001 (Resident Population data are provided from the Population figures are July estimates from the US Census Bureau.) Mean is the average percentage (8.56%). Median is the middle point of the chart.

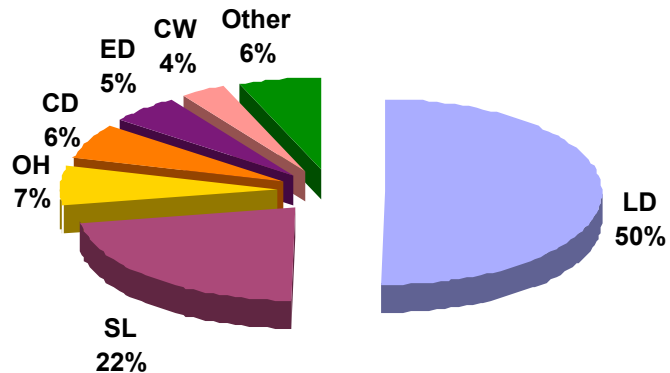
Student Identification by Disability

Approximately 50 percent of all students receiving special education services have their primary disability identified as learning disabled. Approximately 22 percent of students receiving special education services have speech-language impairment identified as their primary disability. These two categories represent almost three-quarters of all students receiving special education services.

There has been a dramatic increase in the child count category of other health impairment. The number of students identified in this disability category grew from 177 students on December 1, 1989, to 1,310 students reported on the December 1, 2001 Child Count. A United States Department of Education, Office of Special Education Programs, policy letter issued in the early 1990s, stating that children with attention deficit disorder could qualify for special education under the category of other health impairment, is likely to have contributed to this growth. Federal Regulations that were finalized in March of 1999 specifically listed attention deficit disorder and attention deficit hyperactivity disorder in the definition for the disability term of other health impairment.

The number of students identified as having Autism has increased substantially

Disabilities by Percentage of Total Number of Students with Disabilities – 2001-2002 School Year



DISABILITY ABBREVIATIONS And Student Count for the 2001-02 school year

LD	Learning Disability - 9668
SL	Speech-Language Impairment - 4296
OH	Other Health Impairment - 1310
CD	Cognitive Delay - 1148
ED	Emotional Disturbance - 1010
CW	Child with Disabilities - 678
Other – Total	1152
MD	Multiple Disabilities - 525
AU	Autism - 206
HI	Hearing Impairment - 151
OI	Orthopedic Impairment - 77
TB	Traumatic Brain Injury - 67
VI	Visual Impairment - 56
DE	Deafness - 54
DB	Deaf-Blindness - 16

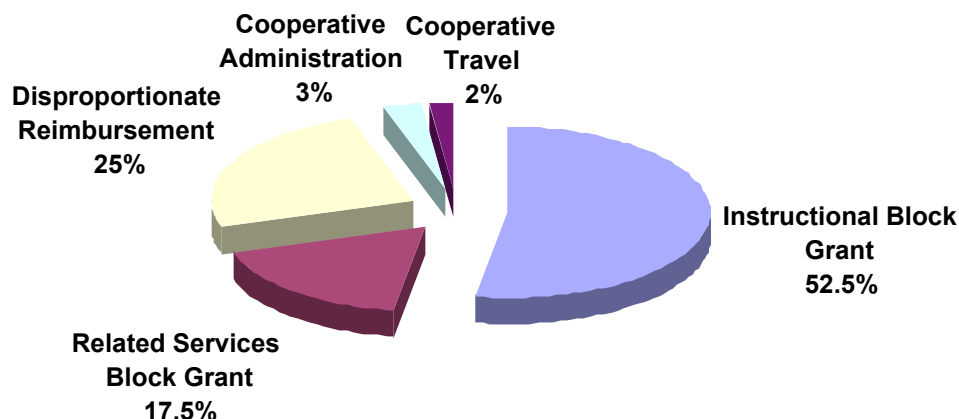
Source: Special Education Child Count conducted on December 3, 2001
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over the last 10 years. While autism is considered a low-incidence disability category, the cost to address the needs of a child with autism is high. Nationally, the number of students reported under this category rose 21 percent, from 54,062 in 1998-99 to 65,424 in 1999-2000 (Source: Twenty-Third Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act, Pg II-23). In Montana, the increase over those same two years was at 12 percent. In the first year that autism was identified as a specific disability by Montana (school year 1991-92) two students were identified. The following year, 20 students were identified as having autism in Montana. In school year 2001-02, there were 206 students identified as having autism.

FUNDING DISTRIBUTION

State Special Education Appropriation for 2002-2003 School Year

Montana's special education funding structure distributes state appropriations, in accordance with 20-9-321, MCA, based on a combination of total school enrollment and expenditures. Seventy percent of the appropriation is distributed through block grants (instructional block grants and related services block grants), which are based on enrollment. Twenty-five percent is distributed through reimbursement for disproportionate costs, which is based on expenditures. The remaining five percent is distributed to special education cooperatives to cover costs related to travel and administration.



State Entitlement for 2002-2003 School Year

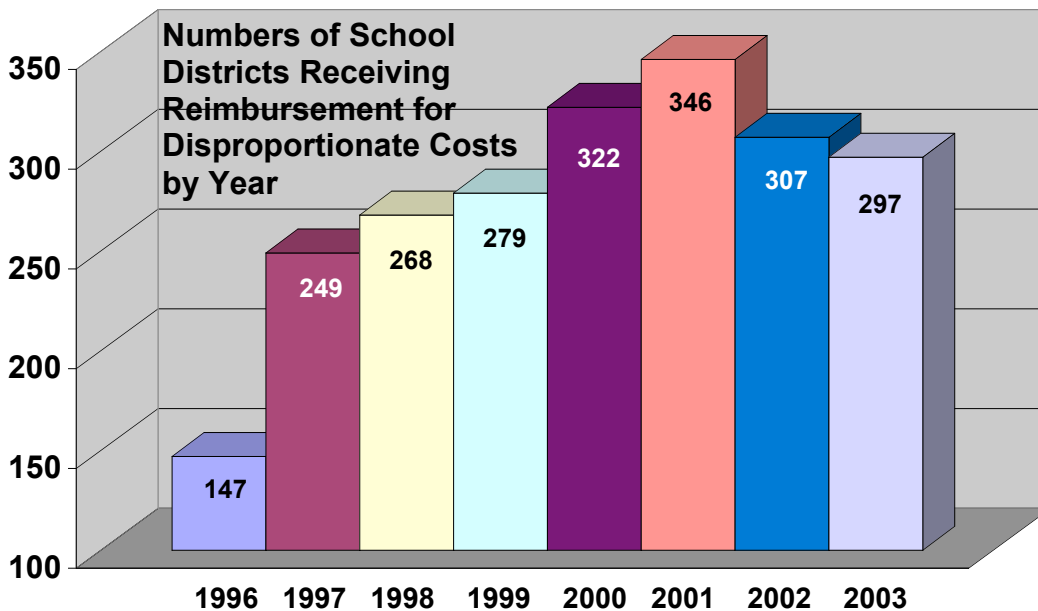
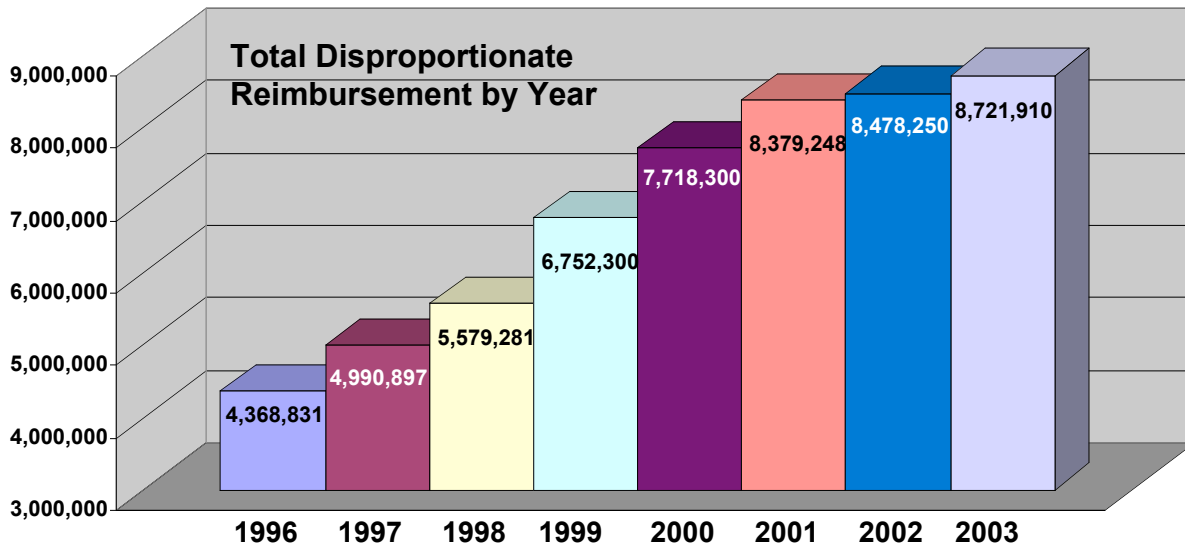
Instructional Block Grant	18,313,460
Related Services Block Grant	6,103,982
Disproportionate Reimbursement	8,721,910
Cooperative Administration	1,046,629
Cooperative Travel	697,753
TOTAL	34,883,734

Note: The total payment to schools is less than the total appropriation. A small amount of the appropriation is withheld to compensate for adjustments to ANB.

Source: Final Special Education Cooperative Allowable Cost funding Report (Prd\Maefairs\MaefairsCode.mde, rptSpecialEducationCoop) and Final Special Education Summary (Prd\Maefairs\MaefairsCode.mde, rptSpecialEducationSummary)

Growth in Reimbursement of Disproportionate Costs

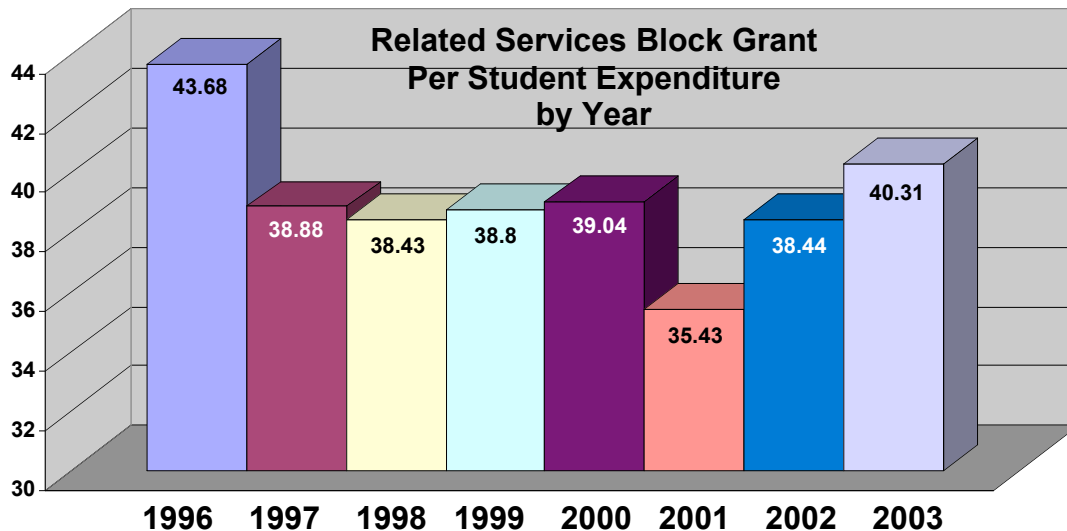
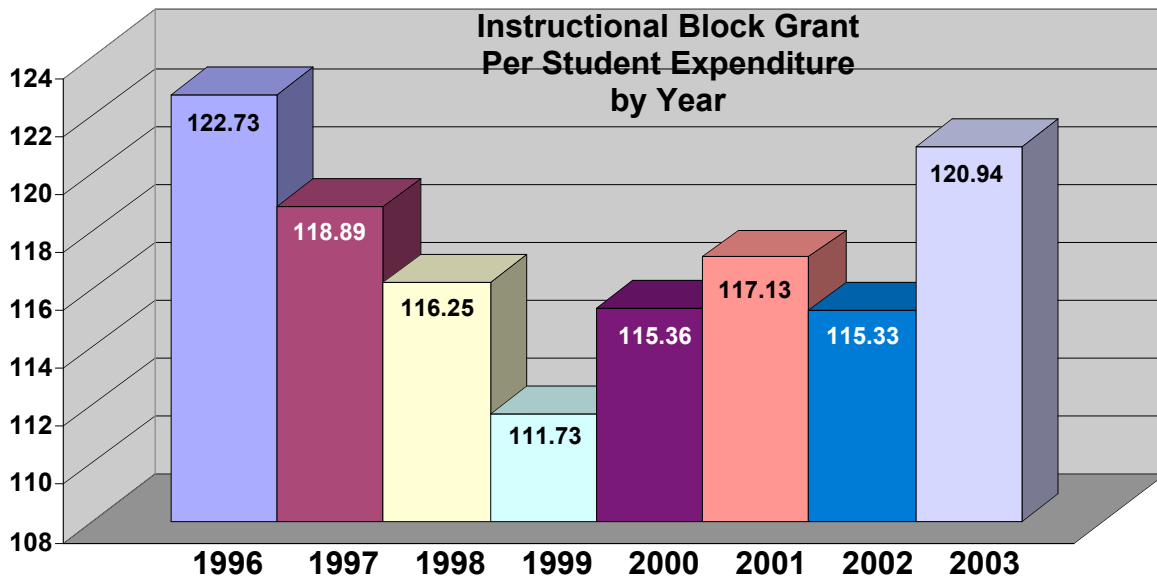
The proportion of the total state appropriation distributed in the form of reimbursement for disproportionate costs grew both in total dollars and in the number of districts receiving reimbursement for disproportionate costs through FY2001. The funding for disproportionate reimbursement was revised with FY2002 to fix the proportion of funds distributed under reimbursement for disproportionate costs and shift funding back to instructional and related services block grants.



Source: T:\data\Le_reim; Special Education Summary for 2001-02 and 2002-03 (Prd\Maefairs\maefairsCode.mde rptSpecialEducationSummary); Special Education Cooperative Allowable Cost Funding for 2001-02 and 2002-03 (Prd\Maefairs\MaefairsCode.mde rptSpecialEducation Coop)

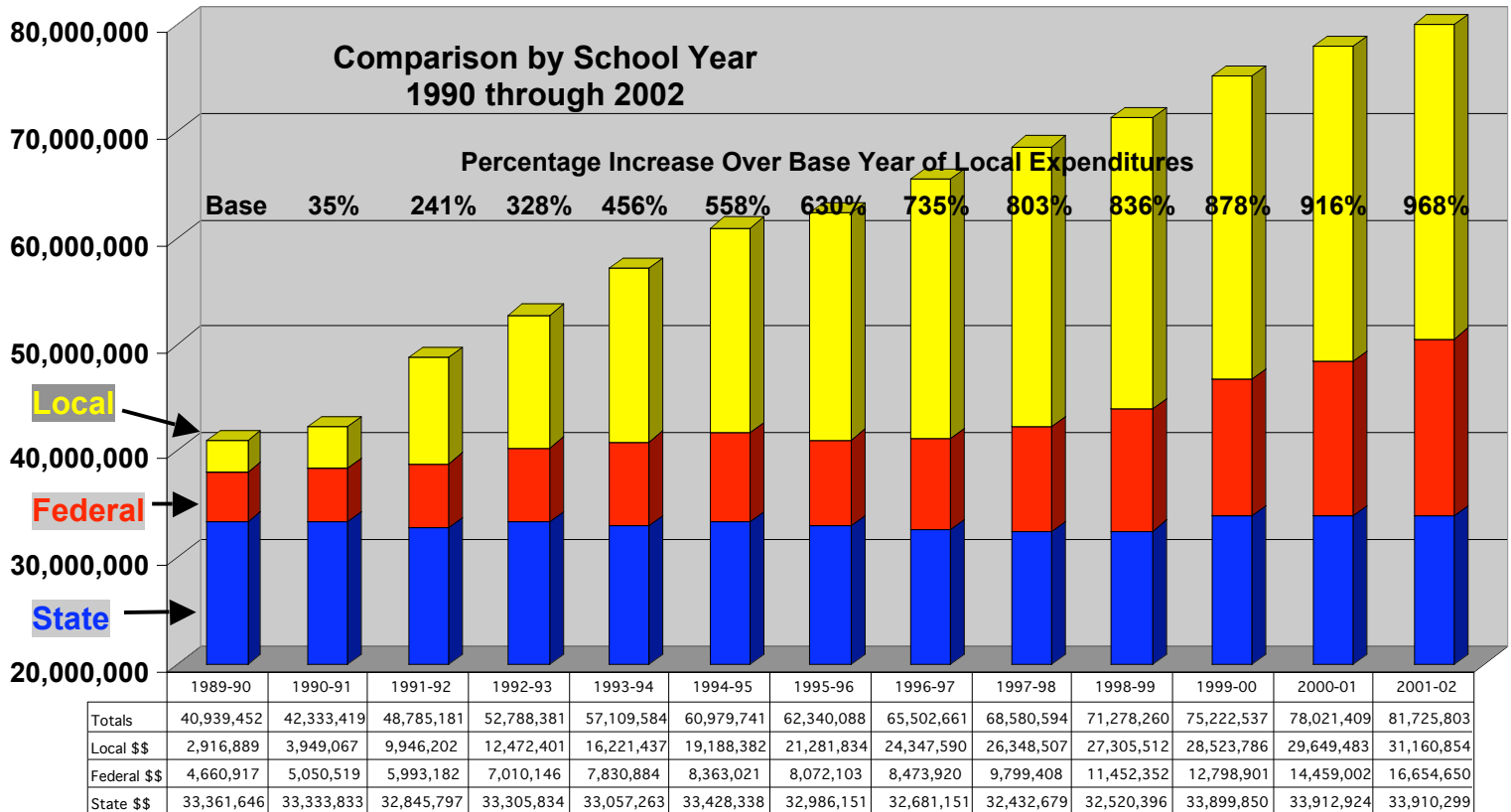
Instructional Block Grants and Related Services Block Grants

With the limit on the proportion of funds distributed in the form of reimbursement for disproportionate costs the block grant rates (per student expenditure) are increasing. This will positively impact both schools and special education cooperatives. State special education cooperatives are significantly affected since they are not eligible for reimbursement for disproportionate costs and the related services block grant is the primary source of funding. This shift is supporting the structure of the funding model's emphasis on block grant distribution of funds.



Source: T:\data\Rageyrs; Special Education Summary for 2001-02 and 2002-03 (Prd\Maefairs\maefairsCode.mde rptSpecialEducationSummary); Special Education Cooperative Allowable Cost Funding for 2001-02 and 2002-03 (Prd\Maefairs\MaefairsCode.mde rptSpecialEducation Coop)

Expenditures of State, Federal, and Local Funds Comparison by Year



Note: This table may differ from previously released versions. Amounts are changed to reflect adjustments to trustees financial summaries submitted by school districts.

Source: State -Special education payment amount provided by OPI accounting, which does not include reversion; Federal-Expenditures provided by OPI accounting (SABHRS year end report); Local-Expenditures from board of trustees financial summaries for special education allowable costs is reduced by the state payment amount to come up with the local amount.

Federal

The growth in expenditures for special education has become an issue of national significance. On a national level, attention has been focused on the proportion of federal support for special education. The federal share of special education costs (national average) is approximately 17 percent. Although this is a greater share of the total cost of special education than in the past (three years ago it was approximately eight percent), the proportionate share remains far below the 40 percent level promised by Congress when the special education laws were first passed in the mid 1970s. House Joint Resolution 6 addresses this issue. Since Montana's costs for special education are significantly less than the national average, the federal share of Montana's special education costs are approximately 20 percent.

In Montana, approximately \$81.7 million was spent on special education in the 2001-2002 school year. This is a significant increase from the 1989-90 school year when approximately \$41 million of state, federal and local funds were spent on special education. Much of this increase can be attributed to inflation and an increase in the number of students served by special education. In fiscal year 2002, approximately \$16.7 million of the \$81.7 million Montana spent on special education came from federal revenue sources.

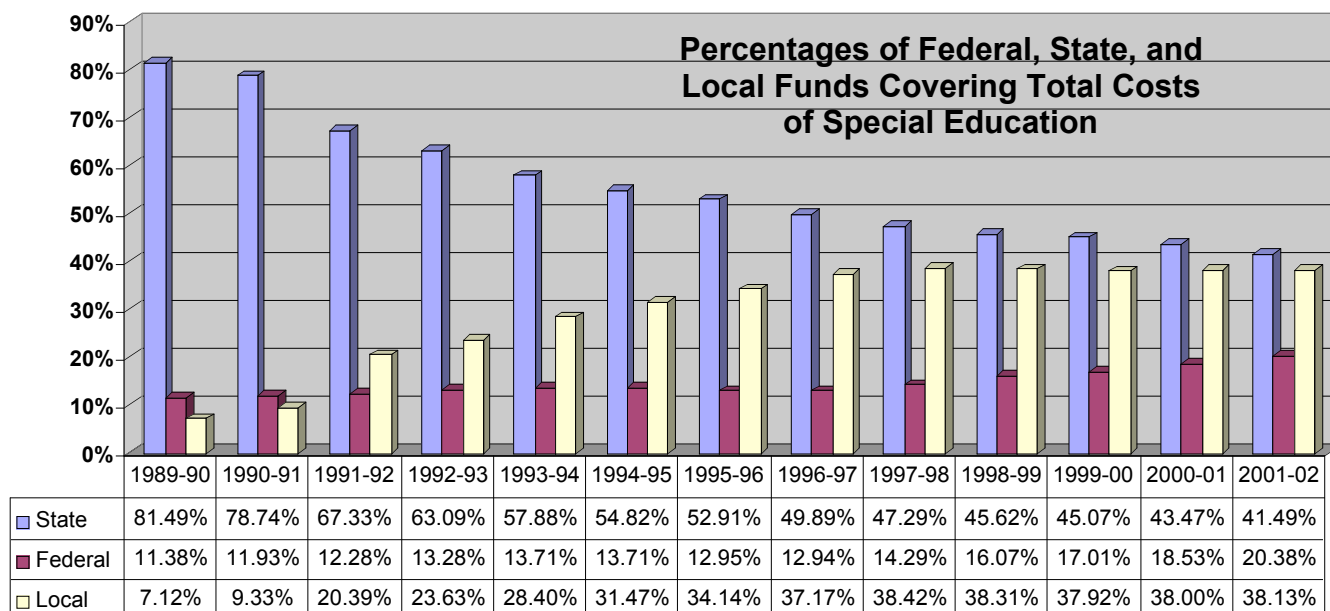
State

State Appropriations for Special Education have fallen far short of the growth in costs. From the 1989-90 school year to the 1998-99 school year, special education was level funded at approximately \$33 million. In 1999, the Montana Legislature increased appropriations for special education by approximately four percent. This increase netted schools approximately \$1.4 million in added funding which was earmarked for special education for school year 1999-2000 and for school year 2000-2001. In school year 2002-03 schools received an additional \$1 million in state special education funding. During a period of increased costs coupled with flat state funding throughout the 1990s, the state share of the total costs of special education has slipped from approximately 81.5 percent in school year 1989-1990 to approximately 41.5 percent in school year 2001-02.

Local

By far the greatest share of funding of the increased costs of special education has come from the local general fund budgets. Local school districts have absorbed the increase in costs of special education by increasing their contribution from approximately \$3 million in 1989-1990 to approximately \$31 million for the 2001-02 school year. This represents an increase of nearly 1000 percent in local district contribution for special education.

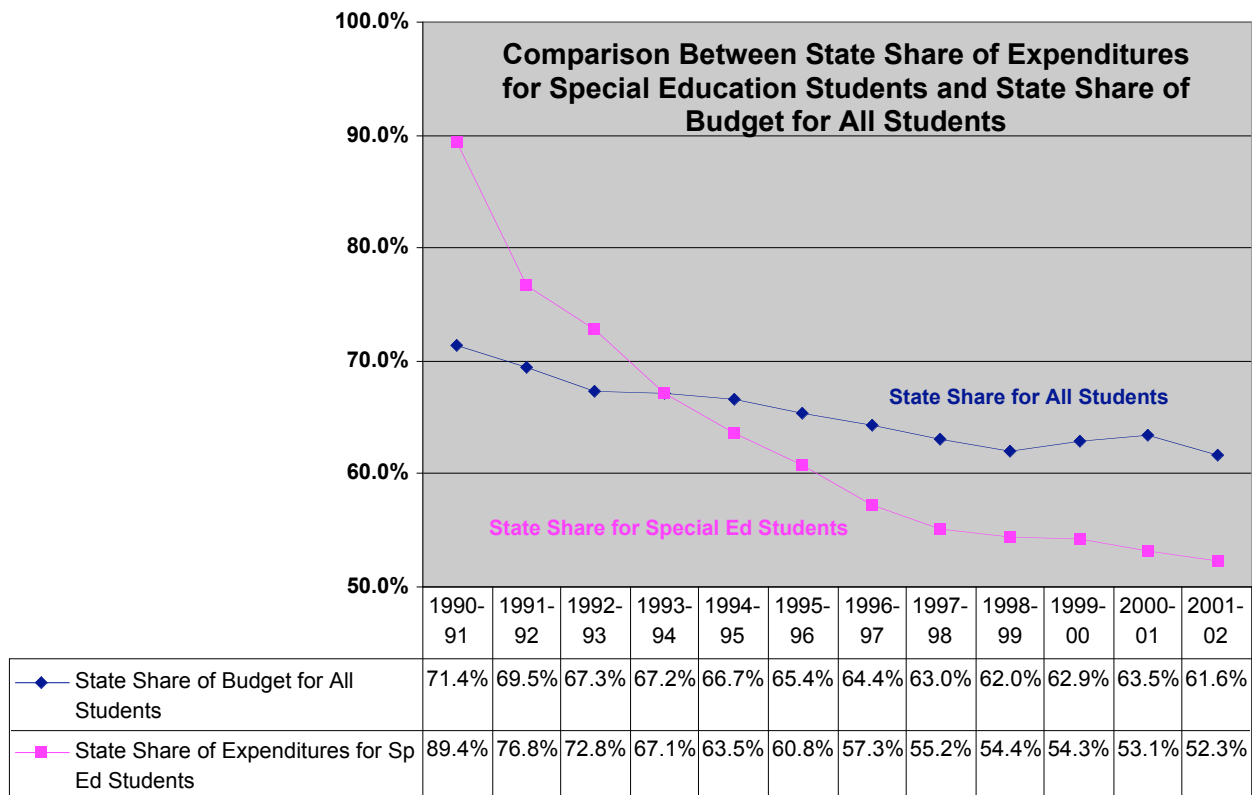
For purposes of this discussion, “local funds” means special education expenditures from district revenues other than state and federal funds that are specifically earmarked for special education. These “local funds” would have otherwise been available for general education. This shift in allocation of local funds has been a serious concern for schools and parents and has created an atmosphere of competition for dollars.



As a result of increased costs in special education during a time when state and federal funding has remained relatively flat, the proportion of “local funds” supporting costs of special education has grown dramatically while the proportion of state funds has declined.

The General Fund

Another way of studying the effects of relatively flat funding of special education is to compare the percentage of school district general fund expenditures from earmarked state special education funds. State general fund support for special education costs has slipped from approximately 89 percent in the 1990-91 school year to approximately 52 percent in the 2001-02 school year. In the meantime, the state support of the general fund budget for all students has slipped from approximately 71 percent in the 1990-91 school year to approximately 62 percent in the 2001-02 school year. At one time the state share of special education general fund expenditures was 18 percent higher than the state share of general fund budget for general education. Today, the state share of special education expenditures is nine percent lower than the state share of general fund budget for general education.



This chart is provided for the purpose of illustration. The comparison is between special education expenditures and general fund budgets for all students.

The portion of the budget for all students that is not state share is comprised of local revenues (property taxes, non-levy revenues, and reappropriated monies). The portion of the expenditures for special education students refers only to earmarked appropriations.